

Message Text

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ACTION NEA-07

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C O N F I D E N T I A L NEW DELHI 2999

LIMDIS

C O R R E C T E D C O P Y (MRN 2999 VICE 2899)

PASSTREASURY AND AID

E.O. 11652: GDS
TAGS: EAID, IN
SUBJECT: IDA REPLENISHMENT

1. MANMOHAN SINGH, SECRETARY, DEA, MINISTRY OF FINANCE, CALLED ME IN ON MARCH 1 TO EXPRESS HIS CONCERN ABOUT THE EFFECT ON US-INDIAN BILATERAL RELATIONS OF RESTRICTIONS WHICH HE FEARED MIGHT BE PROPOSED BY THE US ON INDIA'S SHARE OF IDA FUNDS.

2. HE SAID THAT INDIA FOR THE PAST SEVERAL YEARS HAD BEEN RECEIVING ABOUT FORTY PERCENT OF THE ANNUAL DISBURSEMENTS FROM IDA. DESPITE THIS, INDIA'S PER CAPITA SHARE OF IDA WAS AMONG THE LOWEST OF ALL DEVELOPING COUNTRIES. ASSISTANT SECRETARY BERGSTEN, IN HIS TESTIMONY TO THE HOUSE ON FEBRUARY 17, STATED INDIA'S CASE AS WELL AS THEY COULD THEMSELVES.

3. SINGH EXPLAINED THAT IN THE LAST FEW DAYS, ACCORDING TO REPORTS THEY HAVE RECEIVED FROM THEIR EMBASSY, THERE HAVE BEEN PRESSURES FROM THE CONGRESS OR OTHER SOURCES TO TIE ANY
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COMMITMENT FOR THE FIFTH REPLENISHMENT OF IDA TO A WIDER SHARING OF IDA FUNDS AMONG THE LDCS; MEANING A SMALLER SHARE FOR INDIA. HE WAS WORRIED THAT THE US, AS THE MAJOR DONOR, WOULD LEAD OTHER DONORS TO BRING ABOUT A REDUCTION IN INDIA'S CURRENT SHARE.

4. IN THE LAST FEW MONTHS, SINGH SAID, THERE HAVE BEEN SEVERAL ACTIONS BY BOTH GOVTS WHICH RAISED INDIA'S HOPE FOR

CONTINUED IMPROVEMENT IN US-INDIA RELATIONS. THERE ARE MANY REASONS WHY THIS IMPROVEMENT SHOULD CONTINUE TO TAKE PLACE BUT IF THE REPORTS THEY HAVE RECEIVED ARE BASED IN FACT, THEY WOULD ALTER THE DIRECTION THAT THE TWO COUNTRIES HAVE BEEN TAKING.

5. SINGH STATED THAT ALTHOUGH US DEVELOPMENTAL ASSISTANCE HAD CEASED SOME YEARS AGO, THE GOI HAD ACCEPTED THIS. TO CARRY THIS POLICY FORWARD INTO A MULTILATERAL FORUM, HOWEVER, WOULD BE A MATTER OF GREAT CONCERN.

6. IN RESPONSE TO MY QUESTION ON WHAT BASIS THEY HAD FOR THIS CONCERN, MANMOHAN SINGH REPLIED THAT THE INDIAN EMBASSY HAD CONVEYED THEIR BELIEF THAT THIS US POSITION WAS A REASONABLE ASSUMPTION AND THAT IN FACT AT THE PARIS MEETING ON FEBRUARY 25 THE US HAD ASKED THAT ONE ITEM THAT SHOULD BE DISCUSSED AT THE FORTHCOMING VIENNA MEETING BE IDA LENDING PRIORITIES.

7. MANMOHAN SINGH TALKED AT LENGTH ABOUT INDIA'S DEVELOPMENT NEEDS NOTING THAT AS THEY DEVELOPED THEIR ASSISTANCE NEEDS WOULD GROW. THE COUNTRY WAS NOW IN A POSITION FOR A MAJOR PUSH FORWARD AND THAT TO EVEN MAINTAIN THE STATUS QUO WOULD ADVERSELY EFFECT DEVELOPMENT PROGRESS. HE THEN REITERATED IN STRONGER TERMS THAT FOR THE US TO TRANSMIT ITS BILATERAL CONSTRAINTS ON AID TO INDIA INTO THE MULTILATERAL FORUM WOULD AROUSE STRONG FEELINGS IN INDIA AND AFFECT US-INDIA BILATERAL RELATIONS.

8. COMMENT: MANMOHAN SINGH'S PRESENTATION WAS A SERIOUS AND CONSIDERED EXPRESSION OF GOI CONCERN.

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BOTH THE CONTENT OF HIS REMARKS AND A BRIEF INTERRUPTION BY A TELEPHONE CALL FROM THE FOREIGN SECRETARY MADE IT CLEAR THAT HIS PRESENTATION REPRESENTS A COORDINATED POSITION OF THE GOI. I EXPRESSED SOME SURPRISE AT THE TENOR HIS STATEMENT WHEN I ASKED ABOUT THE BASIS FOR HIS FEARS ABOUT THE US POSITION; INSTEAD OF SOFTENING, HE BECAME MORE FIRM. NOT KNOWING WHETHER OR NOT THERE WAS ANY BASIS FOR HIS CONCERNS, I REPLIED TO THAT EFFECT AND THAT I WOULD REPORT HIS VIEWS TO WASHINGTON AND SEEK INFORMATION TO CONVEY TO HIM. HE ASKED THAT I DO SO WITH SOME URGENCY.

9. AS THE DEPT IS AWARE, THE GOI HAS FOR ABOUT A YEAR BEEN TAKING STEPS TO IMPROVE THE ATMOSPHERE OF US-INDIA RELATIONS. IT HAS TAKEN INTO ACCOUNT CERTAIN US POLITICAL CONCERNS, EXERCISED CARE TO AVOID OFFENSE TO THE US IN ITS PUBLIC STATEMENTS AND LOOKED TO ITS ECONOMIC RELATIONSHIPS WITH THE US (BOTH BILATERAL AND MULTILATERAL) AS AREAS OF CONSEQUENCE. THE GOI HAS BEEN PLEASED WITH INITIAL ATMOSPHERIC INDICATIONS OF THE NEW ADMINISTRATIONS ATTITUDE TOWARD INDIA, AND WAS PARTICULARLY

PLEASED BY THE COMPOSITION OF THE US DELEGATION TO THE FUNERAL OF
THE LATE PRESIDENT.

10. THE GOI HAS, HOWEVER, BEEN REALISTICALLY AWARE THAT THE
STATE OF OUR RELATIONS WOULD BE DETERMINED BY THEIR
ACTUAL CONTENT. IT HAS BEEN CONCERNED, FOR EXAMPLE, ABOUT HOW OUR
NON-PROLIFERATION POLICY MAY AFFECT OUR WILLINGNESS TO PROVIDE
NUCLEAR FUEL FOR THE TARAPUR ATOMIC POWER STATION. MORE
RECENTLY THE EMBASSY HAS BEEN SOUNDED OUT REGARDING WHAT
THE US MIGHT DO TO AVOID COMING INTO A NEGATIVE NET TRANSFER
PSOTION NEXT YEAR (THIS ISSUE WAS RAISED AGAIN ON MARCH 1 IN
A CONVERSATION BETWEEN THE NEW JOINT SECRETARY HANDLING US AFFAIRS
IN THE FINANCE MINISTRY AND THE ECONOMIC COUNSELOR). THISISSUE
HAS, HOWEVER, BEEN OVERTAKEN BY THE IDA ONE, WHICH MANMOHAN SINGH
HAS FOR MANY MONTHS SAID IS OF GREATER CONSEQUENCE TO INDIA THAN
SUCH MATTERS AS THE PARIS DIALOGUE AND, NOW, BILATERAL AID.
AND, IF WE ARE IN FACT ABOUT TO MAKE AN ADVERSE DECISION ON IDA,
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THIS WILL BE THE NEW ADMINISTRATION'S FIRST POLICY DECISION
ABOUT INDIA.

11. MANMOHAN SINGH IS OPERATING IN A VERY UNCERTAIN POLITICAL
ATMOSPHERE; THE PRIME MINISTER IS BEING SEVERELY PRESSED
BY AN OPPOSITION COALITION. ANNOUNCEMENT OF A US POSITION ON
INDIA'S SHARE OF IDA FUNDS COULD BECOME INVOLVED IN THE ELECTION
CAMPAIGN; THIS MAY EXPLAIN IN PART WHY THE INDIAN PRESENTATION
WAS SO STRONG.

12. MOST OF THE ABOVE COMMENTS ASSUMED THAT THERE IS SOME BASIS
FOR THE INDIAN CONCERNS; WE, OF COURSE, HAVE NO INFORMATION ON
THE SUBJECT FROM OTHER THAN THE INDIANS. REQUEST WHATEVER GUIDANCE
THE DEPARTMENT CAN PROVIDE FOR A REPLY TO MANMOHAN SINGH
SCHNEIDER

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